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CHINA TING GROUP HOLDINGS LIMITED

華鼎集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3398)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS			
	2014 <i>HK\$ million</i>	2013 <i>HK\$ million</i>	<i>% Change</i>
Revenue			
OEM Business	2,021.1	1,915.6	5.5
Fashion Retail Business	517.9	491.2	5.4
	<u>2,539.0</u>	<u>2,406.8</u>	5.5
Operating (loss)/profit	(139.2)	171.3	N/A
(Loss)/profit attributable to the Company's equity holder	(280.9)	151.2	N/A
Significant items:			
Share of losses of Hangzhou China Ting Property arising from fair value change in the property project			
— Provision for inventory	120.1	—	N/A
— Impairment loss on loan to an associate	114.6	—	N/A
Loss on transfer of interests in an associate to available-for-sale financial assets	83.5	—	N/A
(Losses)/gains on derivative financial instruments	26.6	(2.6)	N/A
Gain on disposal of an associate	(14.6)	—	N/A
Impairment loss of goodwill	28.0	—	N/A
Provision for bad debts in relation to the bankruptcy of Coldwatercreek and Mexx Group	27.6	—	N/A
Impairment loss on entrusted loans	17.7	—	N/A
Profit attributable to the Company's equity holder before the significant items	<u>122.6</u>	<u>148.6</u>	(29.4)
Dividend per Share (<i>HK cents</i>)	—	3.96	N/A
Dividend payout ratio	—	55%	N/A
Equity attributable to the Company's equity holders	2,529.8	2,956.1	(14.4)
Equity per share (<i>HK\$</i>)	1.20	1.41	(14.9)

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Ting Group Holdings Limited (the “**Company**”) refers to the profit warning announcement of the Company dated 15 December 2014 and wishes to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2014, together with the comparative figures for the year 2013, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	2	2,539,001	2,406,843
Cost of sales		(1,808,136)	(1,647,108)
Gross profit		730,865	759,735
Other income	3	22,977	24,217
Other gains/(losses), net	4	30,374	(18,889)
Selling, marketing and distribution costs		(334,752)	(301,813)
Administrative expenses		(318,130)	(294,471)
(Losses)/gains on derivative financial instruments		(26,591)	2,552
Impairment loss on goodwill		(28,000)	—
Impairment loss on loan to an associate	4	(114,633)	—
Impairment loss on entrusted loans		(17,737)	—
Loss on transfer of interests in an associate to available-for-sale financial assets	4	(83,528)	—
Operating (loss)/profit	5	(139,155)	171,331
Finance income	6	40,172	60,696
Finance costs	6	(13,379)	(18,089)
Share of losses of associates			
— Share of losses of associates before provision for inventory		(11,518)	(9,368)
— Provision for inventory	4	(120,101)	—
Share of (losses)/profits of joint ventures		(2,943)	845
(Loss)/profit before income tax		(246,924)	205,415
Income tax expense	7	(42,367)	(54,924)
(Loss)/profit for the year		(289,291)	150,491

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Currency translation differences		(63,419)	76,427
Revaluation gain on available-for-sale financial assets		141	—
		<u>(63,278)</u>	<u>76,427</u>
Other comprehensive (loss)/income, net of tax		(63,278)	76,427
		<u>(63,278)</u>	<u>76,427</u>
Total comprehensive (loss)/income		(352,569)	226,918
		<u>(352,569)</u>	<u>226,918</u>
(Loss)/profit attributable to:			
Equity holders of the Company		(280,928)	151,217
Non-controlling interests		(8,363)	(726)
		<u>(289,291)</u>	<u>150,491</u>
		(289,291)	150,491
		<u>(289,291)</u>	<u>150,491</u>
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(343,134)	226,313
Non-controlling interests		(9,435)	605
		<u>(352,569)</u>	<u>226,918</u>
		(352,569)	226,918
		<u>(352,569)</u>	<u>226,918</u>
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
<i>(expressed in HK cents per share)</i>			
— basic	8	(13.38) cents	7.20 cents
		<u>(13.38) cents</u>	<u>7.20 cents</u>
— diluted	8	(13.38) cents	7.20 cents
		<u>(13.38) cents</u>	<u>7.20 cents</u>
Dividends	9	—	83,152
		<u>—</u>	<u>83,152</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		741,296	835,443
Investment properties		23,000	20,000
Land use rights		84,688	89,218
Interests in associates		2,048	580,601
Loan to an associate		216,448	312,512
Interests in joint ventures		19,842	7,198
Intangible assets		91,170	126,961
Promissory note	10	51,800	64,869
Deferred income tax assets		51,773	50,474
		<u>1,282,065</u>	<u>2,087,276</u>
Current assets			
Inventories		713,751	723,762
Trade and other receivables	10	719,336	665,274
Tax recoverable		10,907	—
Available-for-sale financial assets		348,071	—
Financial assets at fair value through profit or loss		22,116	16,091
Entrusted loans	10	182,113	204,630
Derivative financial instruments		—	1,540
Cash and bank balances		337,432	222,952
		<u>2,333,726</u>	<u>1,834,249</u>
Total assets		<u>3,615,791</u>	<u>3,921,525</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		209,982	209,982
Reserves		2,319,833	2,662,967
Proposed dividends		—	83,152
		<u>2,529,815</u>	<u>2,956,101</u>
Non-controlling interests		<u>31,582</u>	<u>43,065</u>
Total equity		<u>2,561,397</u>	<u>2,999,166</u>

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		12,959	14,760
Current liabilities			
Trade and other payables	11	662,046	569,300
Bank borrowings		340,358	316,211
Derivative financial instruments		29,378	274
Current income tax liabilities		9,653	21,814
		1,041,435	907,599
Total liabilities		1,054,394	922,359
Total equity and liabilities		3,615,791	3,921,525
Net current assets		1,292,291	926,650
Total assets less current liabilities		2,574,356	3,013,926

NOTES

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and investment properties, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

(a) New and amended standards adopted by the Group

The following new or amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) — Int 21	Levies

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) New standards and amendments to existing standards that have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted

		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual improvements 2010 to 2012	Improvements to HKASs and HKFRSs	1 July 2014
Annual improvements 2011 to 2013	Improvements to HKASs and HKFRSs	1 July 2014
Annual improvements 2012 to 2014	Improvements to HKASs and HKFRSs	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

The Group has already commenced an assessment of the likely impact of adopting the above new standards and amendments to existing standards but it is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group plans to adopt these new standards and amendments to existing standards when they become effective.

2 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the Group has three reportable segments: (1) manufacturing and sale of garments on an OEM basis ("OEM"); (2) manufacturing and retailing of branded fashion apparel ("Retail"); and (3) property development in the PRC ("Property development").

The executive directors assess the performance of the operating segments based on (loss)/profit before income tax, which is consistent with that in the financial statements. Other information, as noted below, is also provided to the executive directors.

Total segment assets exclude investment properties, deferred income tax assets, financial assets at fair value through profit or loss and entrusted loans, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Turnover comprises sale of goods. Sales between segments are carried out based on terms agreed. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2014				
Total revenue	2,036,605	517,931	—	2,554,536
Inter-segment revenue	(15,535)	—	—	(15,535)
	<u>2,021,070</u>	<u>517,931</u>	<u>—</u>	<u>2,539,001</u>
Revenue (from external customers)				
	<u>84,996</u>	<u>4,979</u>	<u>(320,984)</u>	<u>(231,009)</u>
Segment profit/(loss) before income tax				
Goodwill impairment	(28,000)	—	—	(28,000)
Depreciation of property, plant and equipment	(71,459)	(44,073)	—	(115,532)
Amortisation of land use rights	(3,644)	(34)	—	(3,678)
Amortisation of intangible assets	(4,571)	(2,967)	—	(7,538)
Finance income	11,272	390	—	11,662
Finance costs	(11,601)	(1,778)	—	(13,379)
Impairment loss on loan to an associate	—	—	(114,633)	(114,633)
Share of losses of associates	(158)	(8,638)	(122,823)	(131,619)
Share of losses of joint ventures	(59)	(2,884)	—	(2,943)
Loss on transfer of interests in an associate to available-for-sale financial assets	—	—	(83,528)	(83,528)
Income tax expense	(39,759)	(2,608)	—	(42,367)

	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2013				
Total revenue	1,926,416	491,777	—	2,418,193
Inter-segment revenue	(10,801)	(549)	—	(11,350)
Revenue (from external customers)	1,915,615	491,228	—	2,406,843
Segment profit/(loss) before income tax	143,351	27,089	(2,004)	168,436
Depreciation of property, plant and equipment	(83,663)	(35,374)	—	(119,037)
Amortisation of land use rights	(3,655)	(35)	—	(3,690)
Amortisation of intangible assets	(4,571)	(4,788)	—	(9,359)
Finance income	9,253	1,694	—	10,947
Finance costs	(18,089)	—	—	(18,089)
Share of losses of associates	(24)	(7,340)	(2,004)	(9,368)
Share of profits/(losses) of joint ventures	862	(17)	—	845
Income tax expense	(43,855)	(11,069)	—	(54,924)
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2014				
Total segment assets	1,907,361	853,245	564,519	3,325,125
Total segment assets include:				
Interests in associates	2,048	—	216,448	218,496
Interests in joint ventures	2,652	17,190	—	19,842
Available-for-sale financial assets	—	—	348,071	348,071
Additions to non-current assets (other than financial instruments and deferred income tax assets)	11,584	55,320	—	66,904
As at 31 December 2013				
Total segment assets	1,951,161	798,757	878,940	3,628,858
Total segment assets include:				
Interests in associates	2,312	11,861	566,428	580,601
Interests in joint ventures	2,866	4,332	—	7,198
Additions to non-current assets (other than financial instruments and deferred income tax assets)	161,259	37,511	—	198,770

A reconciliation of reportable segments' (loss)/profit before income tax to total (loss)/profit before income tax is provided as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total segment (loss)/profit before income tax	(231,009)	168,436
Net fair value gains/(losses) on financial assets at fair value through profit or loss	8,910	(2,844)
Corporate overhead	(9,523)	(13,108)
Rental income	516	630
Interest income from an associate	15,254	18,995
Interest income from entrusted loans	13,256	30,754
Impairment loss on entrusted loans	(17,737)	—
(Losses)/gains on derivative financial instruments	(26,591)	2,552
(Loss)/profit before income tax per consolidated statement of comprehensive income	(246,924)	205,415

A reconciliation of reportable segments' assets to total assets is provided as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total segment assets	3,325,125	3,628,858
Financial assets at fair value through profit or loss	22,116	16,091
Corporate assets	757	1,472
Investment properties	23,000	20,000
Deferred income tax assets	51,773	50,474
Entrusted loans	182,113	204,630
Tax recoverable	10,907	—
Total assets per consolidated balance sheet	3,615,791	3,921,525

The Company is domiciled in the Cayman Islands. The results of its revenue from external customers based on the destination of the customers are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
North America	1,384,930	1,418,924
European Union	247,448	171,636
Mainland China	819,148	725,143
Hong Kong	74,248	78,502
Other countries	13,227	12,638
	2,539,001	2,406,843

The total of non-current assets other than interests in associates loan to an associate, interests in joint ventures, promissory note and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the following geographical areas are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Mainland China	753,628	888,852
Hong Kong	186,103	182,479
North America	423	291
	<u>940,154</u>	<u>1,071,622</u>

For the year ended 31 December 2014, revenues of approximately HK\$389,814,000 (2013: HK\$343,856,000) are derived from a single external customer (2013: one). These revenues are attributable to the OEM reportable segments and accounted for greater than 10% of the Group's revenue.

3 OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Commission income	3,468	3,499
Government grants	5,217	3,336
Rental income	6,964	6,119
Scrap sales	5,306	3,729
Others	2,022	7,534
	<u>22,977</u>	<u>24,217</u>

4 OTHER GAINS/(LOSSES), NET AND OTHER ITEMS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net exchange gains/(losses)	5,546	(17,667)
Fair value gain on investment properties	3,000	2,000
Net fair value gains/(losses) on financial assets at fair value through profit or loss	8,910	(2,844)
Losses on disposal of property, plant and equipment	(1,655)	(378)
Gain on disposal of an associate	14,573	—
	<u>30,374</u>	<u>(18,889)</u>
Impairment loss on loan to an associate (<i>Note (a)</i>)	(114,633)	—
Loss on transfer of interests in an associate to available-for-sale financial assets (<i>Note (b)</i>)	(83,528)	—
Share of losses of associates — Provision for inventory (<i>Note (a)</i>)	(120,101)	—
	<u>(120,101)</u>	<u>—</u>

- (a) Hangzhou China Ting Property Development Company Limited (“China Ting Property”), an associate of the Group, engaged in residential property development in Hangzhou. The Group’s share of provision for inventory of approximately HK\$120,101,000 of China Ting Property represents the impairment on inventory. In view of the unfavourable property market conditions in the region where the residential property project was located, the directors of China Ting Property consider to recognise an impairment provision for the inventory.

In addition, there was an impairment loss on loan to China Ting Property amounted to HK\$114,633,000 during the year ended 31 December 2014.

- (b) On 9 July 2014, the Group lost the significant influence on Zhejiang Haoran Property Company Limited (“Haoran Property”), a previous associate of the Group, since the two representatives of the Group on the board of directors were removed in a shareholders’ meeting.

Due to the loss of significant influence, Haoran Property was not considered as an associate of the Group and the interest in Haoran Property is accounted for as available-for-sale financial asset which is stated at fair value. As a result, a loss of approximately HK\$83,528,000 has been recognised in the statement of comprehensive income during the year upon the reclassification.

5 OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging the following:

	2014 <i>HK\$’000</i>	2013 <i>HK\$’000</i>
Amortisation of land use rights	3,678	3,690
Amortisation of intangible assets	7,538	9,359
Depreciation of property, plant and equipment	<u>115,532</u>	<u>119,037</u>

6 FINANCE INCOME AND COSTS

	2014 <i>HK\$’000</i>	2013 <i>HK\$’000</i>
Finance income — interest income on		
— bank deposits	5,023	4,844
— amount due from associates	1,037	407
— loan to an associate	15,254	18,995
— entrusted loans	13,256	30,754
— promissory notes	<u>5,602</u>	<u>5,696</u>
	40,172	60,696
Finance costs — interest expense on		
— bank borrowings	<u>(13,379)</u>	<u>(18,089)</u>
	<u>26,793</u>	<u>42,607</u>

7 INCOME TAX EXPENSE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax (<i>Note (a)</i>)	7,092	18,619
— PRC enterprise income tax (<i>Note (b)</i>)	39,511	44,110
— Over-provision in prior years	(711)	(155)
Deferred income tax	(3,525)	(7,650)
	<u>42,367</u>	<u>54,924</u>

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year.

(b) PRC enterprise income tax

PRC enterprise income tax is provided on the basis of the profits of the PRC established and operating subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for these subsidiaries of the Group is 25% (2013: 25%).

8 (LOSS)/EARNINGS PER SHARE

- (a) The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to equity holders of the Company of approximately HK\$280,928,000 (2013: profit of HK\$151,217,000) and weighted average number of ordinary shares in issue during the year of 2,099,818,000 (2013: 2,099,523,000).
- (b) Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

During the years ended 31 December 2014 and 2013, there were no dilutive potential ordinary shares deemed to be issued at no consideration for all outstanding share options granted under the share option scheme. There were no outstanding options as at 31 December 2014.

9 DIVIDENDS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Final (<i>Note</i>)		
Nil final dividend (2013: HK3.6 cents per ordinary share)	—	75,593
Nil special dividend (2013: HK0.36 cent per ordinary share)	—	7,559
	<u>—</u>	<u>83,152</u>

Note:

At a meeting held on 26 March 2015, the directors do not recommend the payment of any dividend for the year ended 31 December 2014.

10 TRADE AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade and bill receivables	517,045	469,520
Less: Provision for impairment	<u>(49,459)</u>	<u>(16,141)</u>
Trade and bill receivables, net	467,586	453,379
Amounts due from associates	—	37,120
Amounts due from joint ventures	2,159	3,739
Promissory note (<i>Note (a)</i>)	70,708	72,356
Entrusted loans (<i>Note (b)</i>)	182,113	204,630
Other receivables, deposits and prepayments	<u>230,683</u>	<u>163,549</u>
	953,249	934,773
Less: Non-current portion of promissory note	<u>(51,800)</u>	<u>(64,869)</u>
	<u><u>901,449</u></u>	<u><u>869,904</u></u>

The amounts due from associates and joint ventures are unsecured, interest-free and repayable on demand, except for the amount due from an associate of approximately HK\$1,279,000 which carried interest at 6.65% per annum as at 31 December 2013.

The ageing analysis of gross trade and bill receivables based on invoice date is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 to 30 days	285,945	211,689
31 to 60 days	86,511	124,381
61 to 90 days	56,657	55,061
91 to 120 days	41,266	47,184
Over 120 days	<u>46,666</u>	<u>31,205</u>
	<u><u>517,045</u></u>	<u><u>469,520</u></u>

For OEM garment sales, the Group's trade receivables from its customers are generally settled by way of letters of credit or telegraphic transfer with credit periods of not more than 90 days. The grant of open account terms without security coverage is generally restricted to large or long-established customers with good repayment history. Sales to these customers comprise a significant proportion of the Group's OEM garment sales. On the other hand, for new and existing customers with short trading history, letters of credit issued by these customers are normally demanded for settlement purposes.

For sales of branded fashion apparel to franchisees, the Group normally requests payments in advance or deposits from such customers, with the remaining balances settled immediately upon delivery of goods. The Group also grants open account terms of 30 credit days to long-established customers with good repayment history.

Retail sales are settled in cash or by credit cards or collected by department stores on behalf of the Group. The department stores are normally required to settle the proceeds to the Group within 2 months from the date of sale.

Bill receivables are with average maturity dates of within 2 months.

The carrying amounts of trade and other receivables approximate their fair values.

(a) Promissory notes

The promissory note represents a senior unsecured promissory note with original principal amounted to US\$10,000,000 (equivalent to approximately HK\$77,350,000) converted from trade receivables due from a major customer which will be payable in various installments until the end of 2016. The promissory note is interest-bearing at 5.25% per annum.

(b) Entrusted loans

On 24 December 2012, the Group entered into three secured entrusted loans (“Entrusted Loan A”) with total principals amounting to RMB30,000,000 (equivalent to approximately HK\$37,472,000) due from a company established in the PRC (“Borrower A”) through a lending agent, a commercial bank in the PRC. Entrusted Loan A is interest bearing at 18% per annum payable on a quarterly basis and the principal will be payable on or before 25 December 2014. An affiliate of Borrower A pledged to the lending agent certain number of properties located at Yuhang District in Hangzhou as collaterals.

Further on 5 February 2013, the Group entered into another eight secured entrusted loans (“Entrusted Loan B”) with total principals amounting to RMB130,000,000 (equivalent to approximately HK\$162,378,000) due from a company established in the PRC, an affiliate of Borrower A (“Borrower B”), through a lending agent, a commercial bank in the PRC. Entrusted Loan B is interest bearing at 18% per annum payable on a monthly basis and the principal will be payable on or before 5 February 2014. An affiliate of Borrower B pledged to the lending agent a parcel of land located at Lin’an City in Hangzhou as collateral.

On 27 January 2014, the Group renewed Entrusted Loan B with the borrower for twelve months from the original expiry date of 5 February 2014 to 5 February 2015. The terms and conditions of Entrusted Loan B, other than the repayment period, remain unchanged.

Corporate and personal guarantees were provided by affiliates of Borrower A and B in favour of the lending agents to secure the obligations of Borrower A and B under the entrusted loan agreements.

In June 2014, there was a failure for Borrower A and B to settle the interest within the agreed payment schedules set forth in the agreements for both Entrusted Loan A and B.

On 5 August 2014, the lending agent of Entrusted Loan B has reached eight civil claim mediation agreements with Borrower B, in which Borrower B has agreed to pay the principal of Entrusted Loan B amounting to RMB130,000,000 and the interest due up to 20 June 2014 before 31 October 2014. In addition, according to the civil claim mediation agreements, Borrower B is required to settle the interest incurred during the period from 21 June 2014 to the date of settlement at 22.5% per annum.

On 17 November 2014, the lending agent of Entrusted Loan A has reached three civil claim mediation agreements with Borrower A, in which Borrower A has agreed to pay the principal of Entrusted Loan A amounting to RMB30,000,000 and the interest due at the rate of 18% per annum before 30 November 2014.

Borrower A and B have failed to settle the principal and the related interest in accordance with the civil claim mediation agreements at the end of the year.

Borrower A and B have filed voluntary bankruptcy at the People’s Court of Yuhang District (the “Court”). The Court approved the appointment of the administrator and accepted the petition for bankruptcy proceedings. The legal proceedings are still in progress up to the date of this report.

As at 31 December 2014, Entrusted Loan A of approximately HK\$17,737,000 was considered impaired.

11 TRADE AND OTHER PAYABLES

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bill payables	449,897	387,086
Other payables and accruals	210,857	180,311
Amount due to an associate	1,292	1,903
	<hr/> 662,046 <hr/>	<hr/> 569,300 <hr/>

The ageing analysis of trade and bill payables based on invoice date is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	315,738	281,132
31 to 60 days	51,766	55,819
61 to 90 days	32,113	18,333
Over 90 days	50,280	31,802
	<hr/> 449,897 <hr/>	<hr/> 387,086 <hr/>

Bill payables are with average maturity dates of within 2 months.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business Review

In 2014, the world economy experienced a slow recovery in general. China's export of garment products and fashion and apparel items grew steadily to US\$298,426 million in 2014, representing a year-on-year increase of US\$14,436 million or 5.08%.

In 2014, the U.S. remained the Group's major export market. Although the U.S. economy has regained momentum in general, its overall unemployment rate has only reduced slightly and there was still a general lack of confidence among consumers. With the inventory pressure of overseas retailers and the increasing raw material and labour costs in China, the Group's OEM/ODM business was as a result affected. Against this background and with the Group's adjustments to the product mix and the business strategies, the turnover of the Group's OEM/ODM business amounted to HK\$2,021.1 million in 2014, representing a 5.5% increase as compared with the last year.

In 2014, China's economic structure and the general market sentiment continued to improve amid the adjustments as a result of and the influence of macro-economic policies. The retail sector has been adjusting and adapting to the changes in consumer preferences. The Group's brand retail businesses place emphasis on brand upgrade and focus on promotion of brand development. In 2014, the turnover of the brand retail business amounted to HK\$517.9 million, representing an increase of 5.4% year on year.

(2) Financial Review

Results performance

During the year ended 31 December 2014, the Group's revenue amounted to HK\$2,539.0 million, representing an increase of 5.5% as compared with HK\$2,406.8 million in 2013. The gross profit for the year ended 31 December 2014 was HK\$730.9 million, representing a decrease of 3.8% as compared with HK\$759.7 million in 2013. Although the revenue of the Group remained stable, the Group incurred loss before tax of HK\$246.9 million and loss attributable to the Company's equity holder of HK\$280.9 million during the year ended 31 December 2014 and the losses are principally due to the following factors:-

- (1) Increase in the amount of the administrative expenses of HK\$27.6 million in 2014 as a result of increased aggregate amount of provision for doubtful debt on the amount due from two customers of the Group, namely Coldwater Creek and Mexx Groups;
- (2) Impairment loss for the goodwill arising from the acquisition of Interfield Industrial Limited in 2008 in the amount of HK\$28.0 million;
- (3) Share of the operating loss arising from provision for inventory of and impairment loss on loans to Hangzhou China Ting Property Development Company Limited ("**Hangzhou China Ting Property**"), an associate of the Company, of a total amount of HK\$234.7 million in 2014;
- (4) Loss arising from transfer of interests in an associate to available-for-sale financial assets amounting to HK\$83.5 million in 2014;
- (5) Impairment loss on entrusted loans of HK\$17.7 million in respect of the total amount due under the two entrusted loans of RMB160.0 million (equivalent to HK\$199.9 million); and

- (6) The Group entered into certain foreign exchange contracts (between US\$ and RMB) during the year of 2013 and 2014 as part of the measures to mitigate the foreign exchange risk arising from the OEM trading business of the Group. A fair value loss on derivative financial instruments of HK\$26.6 million in 2014 (2013 Gain HK\$2.6 million).

As a result, the net loss and net asset value per share attributable to equity holders for the year ended 31 December 2014 were HK\$280.9 million and HK\$1.20 respectively.

OEM and ODM business

During the year of 2014, the revenue derived from our OEM/ODM business recorded an increase to HK\$2,021.1 million from HK\$1,915.6 million in 2013. Products made from silk, cotton and synthetic fabrics continue to be the major products which contributed HK\$1,553.0 million (2013:HK\$1,472.8 million), representing 76.8% (2013: 76.9%) of the total turnover of our OEM/ODM business for the year ended 31 December 2014.

In respect of market concentration, sales to the US market amounted to HK\$1,384.9 million in 2014 (2013: HK\$1,418.9 million), which accounted for 68.5% (2013: 74.1%) of the OEM/ODM revenue. Sales to European Union and other markets in 2014 were HK\$247.4 million (2013: HK\$171.6 million) and HK\$388.7 million (2013: HK\$325.1 million), respectively.

Fashion retail business

During the year ended 31 December 2014, the retail sales of the Group increased by 5.4% from HK\$491.2 million to HK\$517.9 million. Finity, the major brand of the Group, contributed HK\$275.2 million to the retail business, representing a decrease of 1.2% as compared with HK\$278.5 million for the year 2013.

In terms of retail revenue analysis by sales channels, sales from concessionary counters amounted to HK\$400.6 million (2013: HK\$390.3 million), accounting for 77.4% of total retail turnover for the year ended 31 December 2014. Sales from freestanding stores and franchisees for the year ended 31 December 2014 amounted to HK\$53.6 million (2013: HK\$35.2 million) and HK\$63.8 million (2013: HK\$65.7 million), respectively.

Liquidity and financial resources

The Group continues to retain a solid financial position. During the year, the Group's working capital needs were principally supported by the financial resources generated from its ordinary course of business. As of 31 December 2014, the cash and cash equivalents were HK\$229.5 million, representing an increase of 28.4% from HK\$178.8 million as of 31 December 2013. The Group had bank borrowings of HK\$340.4 million as of 31 December 2014 (2013: HK\$316.2 million), repayable within one year. The debt to equity ratio (total borrowings as a percentage of total equity) was 13.3% (2013: 10.5%). The Directors consider that the Group has adequate financial resources to support its working capital requirement and future expansion.

The sales of the Group are mainly denominated in US dollars and Renminbi and the purchase of raw materials are mainly made in Renminbi, US dollars and Hong Kong dollars. As of 31 December 2014, all cash and cash equivalents, and bank borrowings were mainly denominated in US dollars, Renminbi and Hong Kong dollars. The Group has entered into certain foreign exchange contracts (between United States dollars and Renminbi) during the year of 2014 as part of the measures to mitigate the foreign exchange risk arising from the OEM trading business of the Group. According to the applicable accounting policies of the Group, the contracts would

need to be evaluated against the market value of the corresponding currencies as of 31 December 2014. For the year ended 31 December 2014, the Group records a net fair value loss on derivative financial instruments of HK\$26.6 million. Such loss does not represent any cash inflow/outflow but will be reflected in the profit and loss of the Group during the period.

Accounts receivable from Coldwater Creek and Mexx

For the year ended 31 December 2014, two customers of the Group, namely Coldwater Creek and Mexx Group, have declared bankruptcy. Full provisions for doubtful debts have both been made for Coldwater Creek (US\$2.16 million) and Mexx Group (US\$1.40 million). Further information on the amount due from the two customers is set forth in the announcements of the Company dated 9 May 2014, 9 June 2014 and 8 December 2014.

Share of loss of Hangzhou China Ting Property

During the fourth quarter of 2014, Hangzhou China Ting Property has launched for sales 君臨天峯府 (C. Ting King's Summit), its residential property development project. The average launch price of the residential units was set at a low level at around RMB10,800 (equivalent to HK\$13,500) per square meter and a small number of residential units were sold to the customers. The low average launch price was primarily due to the fact that a number of property developers in Hangzhou were also launching their residential property projects in the third quarter of 2014 with aggressive pricing strategies, which resulted in an increase in the supply of the residential property units and greater downward pressure on the selling prices. Based on an independent valuation of the unsold residential property units of Hangzhou China Ting Property, the Directors expect that Hangzhou China Ting Property would incur a substantial amount of loss before tax in 2014. The amount would be charged to the income statement of the Group represents the share of the loss before tax based on the equity holding percentage of the Group in Hangzhou China Ting Property.

Entrusted loans to Zhongdou Group and Zhoundou Shopping Centre

As set forth in the announcements of the Company dated 10 February 2015, 10 December, 3 November, 19 August, 23 June 2014 and 5 February 2013, in respect of the NBC Entrusted Loans and the BOCOM Entrusted Loans (the “**Entrusted Loans Announcements**”) in the total amount of RMB160.0 million (equivalent to HK\$199.9 million). These two loans are in default by the borrowers, and 中都控股集團有限公司 (Zhongdou Group Holdings Limited*), 浙江中都房地產集團有限公司 (Zhejiang Zhongdou Property Group Company Limited*), 浙江中都百貨有限公司 (Zhejiang Zhongdou Department Store Company Limited*), 杭州中都購物中心有限公司 (Hangzhou Zhongdou Shopping Centre Company Limited*) have filed voluntary bankruptcy at the People's Court of Yuhang District, Hangzhou City; and a creditor served a petition for bankruptcy proceedings against 浙江臨安中都置業有限公司 (Zhejiang Linan Zhongdou Property Company Limited*), which has pledged a parcel of land to secure due performance of obligations under the NBC Entrusted Loans at the People's Court of Yuhang District, Hangzhou City.

In respect of such proceedings, the People's Court of Yuhang District, Hangzhou City, approved the appointment of the administrator and accepted the petition for bankruptcy proceedings. The first creditors' meetings were held on 19 and 20 March and is scheduled to be held on 2 April 2015.

Pursuant to the order, each of the Bank of Communications Limited, Zhejiang Branch and Ningbo Bank Corporation lodged a proof of debt to the administrator in respect of the claims under the BOCOM Entrusted Loans and NCB Entrusted Loans in the amount of RMB33.6 million (equivalent to HK\$42.0 million) and RMB141.8 million (equivalent to HK\$177.1 million) on 9 February 2015 and 16 February 2015, respectively.

In addition, the appraised value of the collaterals for the two entrusted loans was less than the aggregate amount due from the debtors under the two entrusted loans. As a result, the Group has made a provision for bad and doubtful debt in the amount of HK\$17.7 million in respect of the total amount due under the two entrusted loans of RMB160.0 million (equivalent to HK\$199.9 million).

Disposal of 49.0% equity interest in GT (International) Fashion Company Limited (“GT Fashion”)

As set forth in the announcement of the Company dated 10 and 11 September 2014, in respect of the disposal of the equity interest in an associate company, G-T (International) Fashion Company Limited (“GT Fashion”). The Company record a gain on disposal of HK\$14.6 million from the transaction. After the disposal of GT Fashion, the Group has no equity interest in GT Fashion. Further information is set forth in the announcements of the Company dated 10 and 11 September 2014.

Reclassification of the Group’s equity investments in Zhejiang Haoran Property Company Limited (浙江浩然置業有限公司) (“Zhejiang Haoran”)

As set forth in the announcement of the Company dated 25 March 2015, the Group reclassify the equity investment in Zhejiang Haoran as a result of the fact that the Group’s representatives have been removed as directors of Zhejiang Haoran since July 2014. The removal decision was unilaterally approved by a majority of the equity holders of Zhejiang Haoran. The Group was first aware of the accounting implications of such removal around the middle of March 2015 in preparing the final results of the Group for the year ended 31 December 2014. The equity investment was previously recorded under the equity method as the Group’s investment in an associate. Following the removal of the Group’s representatives as directors of Zhejiang Haoran, the Group’s equity investment in Zhejiang Haoran is currently treated as available-for-sale financial assets which is stated at fair value. As a corollary, an amount of HK\$83.5 million is charged to the profit and loss of the Group for the year ended 31 December 2014 representing the difference between the investment cost and the fair value of the equity investment upon the change in classification of the investment.

The recognition of the loss on transfer to available-for-sale financial assets is non-cash in nature. It is expected that this amount would not have any material impact on the cash flow or operation of the Group.

(3) Outlook

In respect of its OEM/ODM business, the Group will continue to focus on improving and enhancing product mix adjustment. The Group is committed to enriching its product offerings to provide customers with services of higher quality and more options. The Group will also continue to promote the research and development of new products to widen its business scope and balance production. Through working closely with international design teams, the Group will be able to provide customers with products and services of higher added value to maintain long-term and stable customer relationship and explore new customers of high quality. In terms

of market layout, the Group will continue to focus on the U.S. market while expediting the development of European and Japanese markets and strategically and selectively exploring emerging markets.

Brand retail business remains to be the focus of the Group. In 2015, the Group will endeavour to further develop its brand retail business, provide consumers with products of higher quality and increase its market share through enhancing its image, expanding its sales network by carefully selecting store location, shutting down loss-making stores, improving stores' profitability, strengthening terminal team building and initiating various marketing campaigns. In addition to boosting sales in its physical stores, the Group will also seize the opportunities brought about by e-commerce and make use of online platforms to achieve exponential growth in its online business, so that its online and offline businesses can work to complement each other.

The Group introduced Vince Camuto, a famous American lifestyle brand, in 2014 to forge an all-round fashion brand covering shoes, handbags, apparel, sunglasses, watches and perfumes. The brand has entered the Chinese market preliminarily and is welcomed by consumers. The Group will strengthen its collaboration with fashion brands from Europe, the U.S., Japan and Korea and to introduce more international brands that can meet the needs of the Chinese market and provide a greater variety of international brands for the consumers to choose from.

The Group will endeavour to cope with the keen competition in the brand retail market by proactively developing its brand retail business, making it a new growth driver to facilitate the transformation and upgrade of the Group.

(4) Human Resources

As of 31 December 2014, the Group had approximately 9,000 full-time employees. Staff costs (excluding share-based payments) for 2014 stand at HK\$566.8 million, representing an increase of 0.9% over the previous year.

The Group recognises the importance of good relationships with its employees and has adopted an incentive bonus scheme for them, under which bonuses are determined every year based on the performance of individual employees and with reference to the Group's annual profits and performance. Our Directors believe that a competitive remuneration package, a safe and comfortable workplace, and career development opportunities are incentives for employees to excel in their areas of responsibilities.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administrated by the Chinese government authorities for the Group's employees in China. For the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements set forth under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) are duly implemented. There is no mandatory retirement schemes under the applicable laws and regulations in the US. The Group has not implemented retirement schemes for the Group's employees in the US.

CORPORATE GOVERNANCE

The Board is committed to enhancing the corporate governance of the Group, and the Group periodically reviews, updates and improve all such necessary measures with reference to the latest corporate governance developments in order to promote good corporate governance.

The Group has during the year ended 31 December 2014 complied with the code provisions of the Corporate Governance Code and the Corporate Governance Report set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the required standard set forth in the Model Code throughout the year ended 31 December 2014.

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board considers that all the independent non-executive Directors are independent.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code, the Board has established an audit committee (the “**Audit Committee**”) to review the financial reporting procedures and internal control matters with management and our Group’s auditors and provide guidance thereto. The members of the Audit Committee comprise all the three independent non-executive Directors. The Audit Committee has considered and reviewed the annual results of the Group for the financial year ended 31 December 2014 and the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management and the independent auditor.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s shares during the year ended 31 December 2014.

ANNUAL REPORT AND DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the year ended 31 December 2014 containing all the information required by the Listing Rules will be dispatched to Shareholders and available on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in May 2015. A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2014.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, banks, professional parties, business partners, management team and employees of the Company for their continuous support and contribution to the Group.

GENERAL INFORMATION

As of the date of this announcement, the Board comprises the following Directors:-

Executive Directors

Mr. TING Man Yi (*Chairman*)

Mr. TING Hung Yi (*Chief Executive Officer*)

Mr. DING Jianer

Mr. CHEUNG Ting Yin, Peter

Independent non-executive Directors

Dr. CHENG Chi Pang

Mr. LEUNG Man Kit

Mr. WONG Chi Keung

By Order of the Board
CHINA TING GROUP HOLDINGS LIMITED
CHENG Ho Lung, Raymond
Company Secretary

Hong Kong, 26 March 2015